



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Ted Stewart
Executive Director

Lowell P. Braxton
Division Director

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June 8, 1998

Ken P. Done
Director Treasury Services
Kennecott Corporation
10 East South Temple
P.O. Box 11248
Salt Lake City, Utah 84147

Re: Replacement Reclamation Surety Bond Request, Kennecott Corporation, Modernization Project, Barneys Canyon Project, Hidden Treasure Exploration Project, M/035/011, M/035/009, E/045/075, Salt Lake and Tooele Counties, Utah

Dear Mr. Done:

I'd like to extend our belated thanks to you and Jack Welsh for coming in and meeting with Mary Ann Wright and me on May 8, 1998 to discuss the issue of posting replacement surety bonds for a number of Kennecott's permitted mining operations. I'm sorry it has taken so long to finalize our decision and provide a response to your request.

You have requested approval to acquire and file replacement surety bonds without reapplying the Division's standard 5 year escalation factor. During the meeting you explained Kennecott's reasoning to replace the existing surety bonds and why you believed it was not necessary to update the dollar amounts using the normal escalation process at this time. As you know, the Division recently received statutory authority to approve changes to reclamation surety instruments and associated documents without formal concurrence from the Board of Oil, Gas and Mining. During the May Board Hearing the Board rescinded the Division's previous surety release policy and asked us to prepare a revised policy to coincide with the new statutory language. We are now in the process of redrafting that policy and the procedures which apply to changes and/or replacement of reclamation sureties.

In the interim, we have decided to accept your request to provide replacement surety bonds for the same dollar amount as presently held by the Division. Each of the following surety bonds are scheduled for reevaluation and renewal by years end 2000:

M/035/009 - Kennecott Barneys Canyon Mining Company (Barneys Canyon Gold Mine) - \$4,604,000
Surety bond: American Home Assurance Company (#14-96-09)

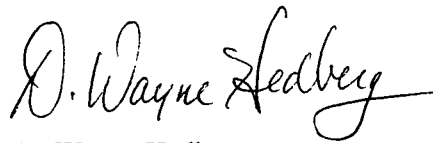
M/035/011 - Kennecott Utah Copper (Modernization Project) - \$10,429,000
Surety bond's : American Home Assurance Company (#16-52-29)
U.S. Fidelity Insurance Company (#41-0130-72528-95-7)

Page 2
Ken Done
M/035/011
June 8, 1998

E/035/075 - Kennecott Utah Copper (Hidden Treasure Exploration) - \$175,800
Surety bond : American Home Assurance Company (#15-44-77)

If you have questions regarding this decision or in filing the appropriate replacement surety bond forms and Reclamation Contracts, please contact me at 538-5286.

Sincerely,

A handwritten signature in black ink, reading "D. Wayne Hedberg". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb
cc Paula Doughty, KUC
Dennis Kerstiens, Barneys Canyon Mine
Mine files
m035011.sur